

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-10 EA-09 ISO-00 L-03 H-02 PRS-01 PA-02
SP-02 USIA-15 AID-05 EB-08 NSC-05 SS-15 STR-04
OMB-01 CEA-01 CIAE-00 COME-00 FRB-01 INR-07
NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 /119 W
-----200944Z 022872 /10

R 200922Z APR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7518
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TOKYO
AMEMBASSY SANTIAGO
USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL FRANKFURT

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DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING APRIL 18)

REF: BONN 6303, BONN 6019

1. GERMAN MEDIUM-TERM INVESTMENT PROGRAM:

THE GOVERNMENT HAS NOW INTRODUCED INTO THE BUNDESTAG
AN AMENDMENT TO THE 1977 FEDERAL BUDGET DRAFT (CURRENTLY
IN BUNDESTAG COMMITTEE) PROVIDING FOR DM 3.9
BILLION OF OBLIGATIONAL AUTHORITY AND DM 527 MILLION OF
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FEDERAL EXPENDITURES DURING 1977 UNDER THE PROGRAM.
ON THE OTHER HAND, THE ORIGINALLY BUDGETED EXPENDITURES
FOR 1977 WERE REDUCED BY THE IDENTICAL AMOUNT, SO THAT IN
THE NET THERE HAS BEEN NO INCREMENT IN THE TOTAL FEDERAL
OUTLAYS OR DEFICIT BEYOND WHAT EXISTED IN THE PRE-INVEST-
MENT PROGRAM BUDGET BILL.

2. EC CREDIT TO ITALY:

ACCORDING TO THE GERMAN PRESS, THE EC FINANCE MINISTERS REACHED AGREEMENT AT THEIR APRIL 18 LUXEMBOURG MEETING ON THE CONDITIONS OF THE \$500 MILLION CREDIT TO BE GRANTED BY THE EC TO ITALY. REPORTEDLY THE FINANCE MINISTERS AGREED THAT ITALY SHOULD FULFILL THE SAME ECONOMIC CONDITIONS AS WERE IMPOSED BY THE IMF FOR THE GRANTING OF ITS MOST RECENT CREDIT TO ITALY. HOWEVER, WHILE THE IMF CREDIT WILL BE PAID OUT IN SEVERAL INSTALLMENTS, THE EC CREDIT WILL BE DISBURSED IN ONE LUMP SUM.

3. DM 700 MILLION CREDIT FOR DENMARK:

THE WESTDEUTSCHE LANDESBANK (WEST LB) IS CURRENTLY NEGOTIATING A CREDIT PACKAGE FOR THE KINGDOM OF DENMARK AMOUNTING TO DM 700 MILLION. THE PACKAGE WILL CONTAIN A DM 450 MILLION CREDIT TO BE GRANTED BY A GERMAN BANKING CONSORTIUM AT A FIXED INTEREST RATE. THE CONSORTIUM WILL BE LED BY THE WEST LB; THE MATURITY OF THE CREDIT WILL BE 10 YEARS. IN ADDITION, AN INTERNATIONAL BANKING CONSORTIUM, ALSO LED BY THE WEST LB, WILL EXTEND A DM 250 MILLION CREDIT CONSISTING OF TWO TRANCHES. A DM 150 MILLION TRANCHE WILL CARRY A COUPON OF 6 3/4 PERCENT AND MATURITY OF 6 YEARS; ANOTHER DM 100 MILLION TRANCHE A COUPON OF 7 1/4 PERCENT AND A 10 YEAR MATURITY. DM 100 MILLION OF BOTH TRANCHES WILL BE SOLD BY THE INTERNATIONAL BANKING CONSORTIUM; THE REMAINING DM 50 MILLION HAVE ALREADY BEEN PLACED BY THE WEST LB.
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4. DEUTSCHE BANK CREDIT TO CHILE:

IN CHILE THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE DEUTSCHE BANK, HERMANN J. ABS, IS CURRENTLY NEGOTIATING THE PARTICIPATION OF THE DEUTSCHE BANK IN A \$100 MILLION CREDIT TO BE GRANTED BY A GROUP OF EUROPEAN BANKS TO THE CHILEAN COPPER COMPANY CODELCO. DURING THE PREVIOUS WEEK, THE CHILEAN CENTRAL BANK GOVERNOR, BARDON, AND THE DEUTSCHE BANK HAD ALREADY SIGNED IN FRANKFURT A CONTRACT ON A DM 50 MILLION CREDIT TO FINANCE CHILEAN IMPORTS OF CAPITAL GOODS. DURING HIS CURRENT FOUR DAY VISIT TO CHILE, ABS WILL ALSO MEET PRESIDENT FINOCHET, FOREIGN MINISTER CARVAJAL AND REPRESENTATIVES OF THE CHILEAN ECONOMICS MINISTRY AND THE PRIVATE ECONOMY.

5. FOREIGN EXCHANGE MARKET:

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OMB-01 CEA-01 CIAE-00 COME-00 FRB-01 INR-07
NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01 /119 W
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R 200922Z APR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7519
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
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THE DOLLAR WEAKENED CONSIDERABLY AGAINST THE
DEUTSCHEMARK. IN MARKET CIRCLES THIS WAS BASICALLY
ATTRIBUTED TO FOREIGN CALLS FOR A REVALUATION OF STRONG
CURRENCIES AS THE DEUTSCHEMARK AND THE JAPANESE YEN.
DURING THE REPORTING WEEK FRANKFURT SPOT AND FORWARD
DOLLAR RATES DEVELOPED AS FOLLOWS:

FORWARD DOLLARS				
SPOT DOLLARS		(IN PCT. PER ANNUM)		
OPENING	FIXING	CLOSING	ONE-MONTH	THREE-MONTH
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APR 12	2.3835	2.3778	2.3762	-0.8	-0.9
APR 13	2.3740	2.3679	2.3675	-0.4	-0.8
APR 14	2.3660	2.3686	2.3695	-0.5	-0.7
APR 15	2.3730	2.3677	2.3675	-0.8	-0.8
APR 18	2.3630	2.3626	2.3645	-0.9	-0.8
APR 19	2.3655	2.3640	N.A.	N.A.	N.A.

6. MONEY MARKET:

THE GERMAN MONEY MARKET REMAINED TIGHT WITH THE CALL MONEY RATE BEING AT ABOUT THE LEVEL OF THE 4 1/2 PERCENT LOMBARD RATE. EFFECTIVE APRIL 13, THE BUNDESBANK REDUCED THE PERIOD FOR WHICH IT BUYS FROM BANKS BILLS ABOVE NORMAL REDISCOUNT QUOTAS FROM 20 TO 10 DAYS. THE INTEREST RATE REMAINED UNCHANGED AT 4 PERCENT. IN THE BUNDESBANK'S VIEW UNDER CURRENT CONDITIONS THE BANKS MAY NO LONGER NEED THIS KIND OF LIQUIDITY SUPPORT FOR PERIODS LONGER THAN 10 DAYS. DURING THE REPORTING WEEK, FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

	CALL MONEY	ONE-MONTH	THREE-MONTH
	-----	-----	-----
APR 12	4.4-4.6	4.50	4.60
APR 13	4.4-4.5	4.50	4.60
APR 14	4.4-4.5	4.50	4.60
APR 15	4.4-4.5	4.50	4.60
APR 18	4.4-4.5	4.50	4.60

7. DECLINE IN INTEREST RATES ON SAVINGS DEPOSITS:

DURING THE REPORTING PERIOD, MOST SAVINGS BANKS HAVE FOLLOWED THE RECOMMENDATION OF THE ASSOCIATION OF GERMAN SAVINGS BANKS TO REDUCE INTEREST RATES ON SAVINGS DEPOSITS (SEE BONN 6303). SINCE MOST COMMERCIAL BANKS ALSO REDUCED SUCH RATES, INTEREST

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RATES FOR SAVINGS DEPOSITS PAID BY MOST GERMAN BANKS NOW RANGE FROM ABOUT 3 PERCENT (THREE MONTHS MATURITY) TO ABOUT 5 PERCENT (4 YEAR MATURITY).

8. BUNDESBANK FOREIGN POSITION:

IN THE PERIOD APRIL 1-7 THE BUNDESBANK'S NET FOREIGN POSITION DECLINED BY DM 0.2 BILLION TO DM 86.2 BILLION. FOREIGN EXCHANGE HOLDINGS FELL BY DM 195 MILLION, WHILE LIABILITIES AGAINST THE EUROPEAN FUND

FOR MONETARY COOPERATION INCREASED BY DM 100 MILLION.
OTHER FOREIGN LIABILITIES FELL BY ABOUT DM 90 MILLION.
9. BANK LIQUIDITY:

IN THE SAME PERIOD BANK LIQUIDITY INCREASED BY DM 1.2
BILLION. FACTORS INCREASING LIQUIDITY WERE A DM 1.8
BILLION DECLINE IN OFFICIAL NET ASSETS HELD AT THE
BUNDESBANK AND A DM 2.3 BILLION DECLINE IN THE BANKS'
RESERVES HELD AT THE BUNDESBANK. LIQUIDITY WAS
REDUCED BY A DM 0.6 BILLION INCREASE IN CURRENCY IN
CIRCULATION REFLECTING CURRENCY DEMAND FOR THE EASTER
RECESS, THE ABOVE MENTIONED DECLINE IN THE BUNDESBANK'S
FOREIGN POSITION AND OTHER NON-SPECIFIED FACTORS
(DM 2.1 BILLION, NET).

THE BANKS USED THE INCREASE IN LIQUIDITY TO REDUCE
LOMBARD BORROWINGS BY DM 0.7 BILLION TO DM 0.9 BILLION.
THEY FURTHER REPAID DM 0.7 BILLION OF BORROWINGS FROM
THE BUNDESBANK MADE UNDER THE SPECIAL REDISCOUNT
FACILITY. ON APRIL 7, SUCH BORROWINGS AMOUNTED TO
DM 2.5 BILLION. AT THE SAME TIME, THE BANKS
INCREASED NORMAL REDISCOUNT BORROWINGS BY DM 0.2 BILLION.

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-----200944Z 022911 /15

R 200922Z APR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 7520
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
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10. BOND MARKET:

ON THE MARKET FOR DOMESTIC BONDS PRICE INCREASES
CONTINUED BUT AT A SOMEWHAT SLOWER PACE. ACCORDING TO
THE PRESS AVERAGE CURRENT YIELDS ON DOMESTIC BONDS
BROKEN DOWN BY REMAINING MATURITY ARE AS FOLLOWS:

REMAINING MATURITY
(YEARS) 1 3 5 7 9 10

YIELD TO MATURITY
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APRIL 15	4.75	5.50	6.10	6.30	6.50	6.60
APRIL 1	4.75	5.80	6.40	6.65	6.85	6.90

THE NEXT DOMESTIC LOAN WILL BE A LOAN OF THE FEDERAL
RAILWAYS OF ABOUT DM 700 MILLION. IN VIEW OF PREVAILING
FAVORABLE MARKET CONDITIONS, THE COUPON IS EXPECTED TO
BE 6 1/2 PERCENT AS COMPARED WITH THE 6 3/4 PERCENT
COUPON OF THE DM 850 MILLION FEDERAL LOAN OFFERED ON
APRIL 4 (SEE BONN 6019). ACCORDING TO THE PRESS SOME
MORTGAGE BANKS ARE ALREADY SELLING BONDS AT A COUPON OF
6 1/2 PERCENT AND ISSUE PRICES OF 98.50 TO 98.75.

11. FOREIGN DM BONDS:

ON THE MARKET FOR FOREIGN DM BONDS, THE FOLLOWING
BORROWERS PLAN FLOATATIONS:

NEW ZEALAND: DM 200 MILLION, COUPON PROBABLY 6 1/2
PERCENT, MATURITY 7 YEARS;

SINGAPORE: DM 100 MILLION, COUPON 6 1/2 PERCENT,
MATURITY 6 YEARS;

NORWEGIAN HYPOTHEKENFORENING FOR NAERINGSLIVET
(MORTGAGE BANK): DM 50 MILLION, COUPON PROBABLY
7 1/4 PERCENT, AVERAGE MATURITY 8 YEARS.

12. \$150 MILLION LOAN OF VOLKSWAGEN:

THE VOLKSWAGEN OVERSEAS FINANCE N.V., CURACAO, PLANS
TO ISSUE A \$150 MILLION LOAN. CONDITIONS ARE EXPECTED
TO BE A COUPON OF 7 3/4 PERCENT AND A MATURITY OF
10 YEARS. FINAL CONDITIONS WILL BE DETERMINED ON
APRIL 26. THE LOAN WILL BE GUARANTEED BY THE GERMAN
PARENT, VOLKSWAGENWERK AG, AND WILL BE USED TO FINANCE

VOLKSWAGEN INVESTMENTS OUTSIDE THE FRG.
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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
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From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770440/aaaabhgzg.tel
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Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING APRIL 18)
TAGS: EFIN, GE
To: STATE TRSY
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/dca42aa2-c288-dd11-92da-001cc4696bcc
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